

Message Text

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11/45

ACTION AGR-08

INFO OCT-01 ARA-06 ISO-00 SP-02 USIA-06 AID-05 EB-07

NSC-05 CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-03

COME-00 CIAE-00 INR-07 NSAE-00 /072 W

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R 281230Z AUG 76

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 7558

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

C O N F I D E N T I A L SECTION 1 OF 2 BRASILIA 7518

C O R R E C T E D C O P Y (E.O. TAGS: AND SUBJECT ADDED)

REF: (A) FASTO 150, (B) BRASILIA 6810, (C) BRASILIA 6811,
(D) STATE 184883, (E) STATE 136698, (F) STATE 184223

1. SUMMARY, BECAUSE OF INTERNAL BUREAUCRATIC PROBLEMS AND CERTAIN CONCERNS BY SOME GOB OFFICIALS, THE GOB PROBABLY WILL MOVE CAUTIOUSLY IN RESPONDING TFORMALLY TO US PROPOSAL TO CONSTITUTE THE SOYBEAN TECHNICAL CONSULTATIVE GROUP. WE EXPECT THE GOB WILL APPROVE THE ESTABLISHMENT OF THE GROUP,BUT PROBABLY WITH A MORE LIMITED TERMS OF REFERENCE THAN WE HAVE PROPOSED. EMBASSY BELIEVES THE FAS/USDA PAPER ON TERMS OF REFERENCE IS GOOD, EXCEPT FOR TWO PARTS DEALING EITH THE CREATION OF A WORKING GROUP UNDER THE CONSULTATIOVE GROUP AND THE QUESTION OF PARTICIPATION BY OTHER USG AGENCIES. REQUEST TELEGRAPHIC COMMUNICATIONS ON THIS SUBJECT BE LOU OR CONFIDENTIAL. END SUMMARY.

2. THER APPEAR TO BE SOME PROBLEM THAT THE GOB MUST IRON OUT BEFORE ACCEPTING THE US PROPOSAL TO ESTABLISH A SOYBEAN TECHNICAL CONSULTATIVE GROUP. ALTHOUGH THE MINISTRY OF AGRICULTURE SEEMS PLEASED--VALENTI TOLD THE AGATT THAT THE DISCUSSIONS IN WASHINGTON WERE CORDIAL
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AND CONSTRUCTIVE AND HE EXPRESSED HIS PERSONAL VIEW THAT

MINISTRY OFFICIALS WOULD BE PREPARED TO ATTEND THE FIRST MEETING OF THE GOUP IN WASHINGTON IN OCTOBER--THE FOREIGN MINISTRY HAS TOLD US THAT CONCERNS HAVE SURFACED ELSEWHERE.

(A) CACEX OPPOSITION. ACCORDING TO THE CHIEF OF THE FONMIN'S BASIC PRODUCTS DIVISION, COUNSELOR PAULO DYREU PINHEIRO, THE DIRECTOR OF CACEX (THE FOREIGN TRADE AUTHORITY OF THE BANK OF BRAZIL), BENEDITO MOREIRA, HAS SERIOUS CONCERNS, PROBABLY RELATED TO FEARS THAT THE GOUP MIGHT SEEK TO INFLUENCE BRAZIL'S EXPORT POLICY (IE, DOMESTIC VS INTERNATIONAL SALES, EXPORTS OF BEANS VS PROCESSED PRODUCTS, MARKETING POLICIES). PINHEIRO DESCRIBED THE POLICY AS IN FLUX NOW, AND HE THOUGHT IT MIGHT NOT BE FINALLY CLARIFIED FOR TWO OR THREE YEARS. PINHEIRO NOTED THAT, AS BRAZIL SEEKS TO EXPAND ITS MARKET SHARE OVER THE NEXT FEW YEARS, BRAZIL'S INTERESTS INEVITABLY WILL CONFLICT AT TIMES WITH THOSE OF THE US. (COMMENT. WE INFER FROM PINHEIRO'S REMARK THAT SOME GOB OFFICIALS REGARD ESTABLISHMENT OF THE GOUP AS PREMATURE, AND THEY QUESTION US MOTIVES IN PROPOSING THE GOUP, IE, A BID TO RESTRAIN BRAZILIAN EXPORTS. CACEX LACK OF ENTHUSIASM ABOUT THE GROUP MIGHT BE BASED IN PART ON ITS RELUCTANCE TO FURNISH EXPORT REGISTRATION DATA ON A PERIODIC BASIS, IF CACEX WERE TO PARTICIPATE IN THE GROUP, IT PROBABLY WOULD FEEL OBLIGED TO AGREE TO OUR PROPOSAL FOR DATA EXCHANGE.)

(B) ALLEGED US PRESSURE. PINHEIRO SAID CERTAIN GOB OFFICIALS BELIEVED THAT "US PRESSURES" ON TRADITIONAL US SOYBEAN CONSUMERS WERE A REASON FOR AVOIDING CLOSER LINKS WITH THE US. FOR INSTANCE, JAPANESE TRADING COMPANY SOURCES PINHEIRO SAID, HAD CLAIMED THAT "US PRESSURES" HAD DISCOURAGED JAPAN FROM BUYING BRAZILIAN SOYBEANS. EMBOFF NOTED THAT NUMEROUS PRESS STORIES HAD QUOTED JAPANESE SOURCES AS SAYING THAT BRAZILIAN SOYBEANS WERE EXPENSIVE RELATIVE TO US SOYBEANS, FOR SEVERAL REASONS INCLUDING TRANSPORTATION COSTS. EMBOFF QUERIED WHETHER ALLEGED "US PRESSURES" HAD COME FROM THE USG. PINHEIRO ADMITTED HE DID NOT KNOW. PINHEIRO ALSO RAISED THE QUESTION OF CCC CREDIT SALES OF SOYBEANS TO POLAND

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AS A PRACTICE OF CONCERN TO GOB OFFICIALS (REF E AND F).

3. PINHEIRO SAID THE GOB PLANNED TO CONVENE A MEETING IN BRASILIA THIS WEEK OF REPRESENTATIVES OF INTERESTED AGENCIES TO DISCUSS THE US PROPOSAL. HE DOUBTED THE GOB WOULD RESPOND TO IT UNTIL AFTER THE MID-SEPTEMBER RETURN OF AMB. PAULO ABRAL DE MELLO, CHIEF OF THE FONMIN'S ECONOMIC DEPT. PINHEIRO INTIMATED THAT HE

HIMSELF DID NOT WANT TO DEAL BUREAUCRATICALLY WITH THE CONCERNS OF MREIROA AND OTHERS, THIS WOULD HAVE TO BE DONE BY AMB. CABRAL DE MELLO.

4. IN RESPONSE TO QUESTIONS BY SEVERAL GOB OFFICIALS ABOUT THE BACKGROUND AND PURPOSES OF THE PROPOSAL, WE HAVE ATTEMPTED TO PUT IT INTO PROPER CONTEXT, TAKING IN TO ACCOUNT OVERALL US STRATEGY FRO THE US-BRAZILIAN RELATIONSHIP, OVERALL US COMMODITY POLICY, AND THE MORE SPECIFIC US INTERESTS IN COOPERATING WITH BRAZIL ON MAY SOYBEAN SUB-JECTS. WE HAVE STRESSED :

--THE ORIGIN OF THE IDEA OF COOPERATION IN PAULINELLI/BUTZ DISCUSSIONS;
--THE SILVEIRA/KISSINGER MOU SET THE FRAMEWORK FOR, AND GAVE MOMENTUM TO , CLOSER US/BRAZILIAN CONSULTATION,
--A DESIRE TO GIVE SPECIFIC SUBSTANCE TO THIS NEW ELEMENT IN OUR RELATIONS,
--SOYBENA ARE A PARTICULARYFRUTIFUL AREA FOR COOPERATION BECAUSE OF BRAZIL'S RECENT EMERGENCE AS MAJOR WORLD EXPORTER, THE ABSENCE OF TIE BETWEEN ASA/ASPA AND ANY EQUAIVALENT BRAZILIAN PRODUCERS OR PROVESSORS ASSOCIATION, AND THE DESIRE TO AVERT POTENTIAL TRADE POLICY PROBLEMS OF THE TYPE RESOLVED BY THE SIMON/SIMONSEN UNDERSTANDING ON SOYBEAN OIL EXPORT INCENTIVES.

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INFO OCT-01 ARA-06 ISO-00 SP-02 USIA-06 AID-05 EB-07

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COME-00 CIAE-00 INR-07 NSAE-00 /072 W

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R 281230Z AUG 76

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 7560

INFO AMCONSUL RIO DE JANEIRO

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5. A TOPIC ON WHICH PINHEIRO SOUGHT ELABORATION WAS THE GROUPS'S RELATIONSHIP TO THE TRADE CONSULTATIVE SUB-GROUP AND THE SIMON/SIMONSEN CONSULTATIVE MECHANISM. EMBOFF EXPLAINED THAT:

- IN THE US VIEW, TRADE POLICY SUB-GROUP SHOULD HAVE THE LEAD IN TRADE POLICY QUESTIONS SINCE WE REGARD IT AS THE PRINCIPAL FORUM DEALING WITH TRADE ISSUES, AND SINCE IT INCLUDES TRADE POLICY OFFICIALS FROM RELEVANT AGENCIES IN BOTH GOVERNMENTS;
- THE SOYBEAN GROUP, HOWEVER, COULD DISCUSS TRADE ISSUES AND PERHAPS TAKE CERTAIN INITIATIVES AS IT SAW FIT, EG, EXCHANGES OF VIEWS ABOUT CCC CREDIT POLICIES, MARSHALLING SUPPORT IN CAPITALS TO OPPOSE EC RESTRICTIONS ON IMPORTS OF SOYBEANS AND SOYBEAN PRODUCTS;
- THE SOYBEAN GROUP WOULD NORMALLY INTERFACE, AS APPROPRIATE, THE TRADE SUB-GROUP (EG, ON TRADE ACT ISSUES, EXPORTING PRACTICES, MTN) AND THE SIMON/SIMONSEN GROUP (EG, COUNTERVAILING DUTIES, BRAZILIAN EXPORT INCENTIVES, AND CERTAIN OTHER ISSUES WITHIN THE COMPETENCE OF THE SECRETARY OF TREASURY OR THE MINISTER OF FINANCE).

6. COMMENT. WE EXPECT, BASED ON PINHEIRO'S REMARKS, THAT THE GOB'S BUREAUCRATIC MOVEMENT IN PREPARING A RESPONSE TO THE US PROPOSAL WILL BE ARDUOUS AND PROBABLY CONFIDENTIAL.

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SLOW. INTERMINISTERIAL COORDINATION HERE OFTEN IS POOR, AND JEALOUSIES RUN HIGH BETWEEN THE TWO PRINCIPAL AGENCIES INVOLVED-- THE MINISTRIES OF AGRICULTURE AND FINANCE.

7. AS THE GOB CONSIDERS THE US PROPOSAL, THE EMBASSY IS LIKELY TO RECEIVE FURTHER REQUESTS FOR CLARIFICATIONS OF US IDEAS. WE BELIEVE THE FAS/USDA PAPER (DATED AUGUST 12, 1976) GIVEN TO VALENTINI IN WASHINGTON REPRESENTS A GOOD START, WITH TWO EXCEPTIONS:

- (A) THE PAPER PROPOSES THE CREATION OF A WORKING GROUP UNDER THE CONSULTATIVE GROUP, DEFINES THOSE ACTIVITIES TO BE TAKEN BY THE WORKING GROUP, AND, INEXPLICABLY, FAILS TO DEFINE WHAT ACTIVITIES CONSULTATIVE GROUP WOULD CARRY OUT. THE EMBASSY SEES NO REASON TO CREATE A WORKING GROUP; THE CONSULTATIVE GROUP, ITSELF BEING A "TECHNICAL" GROUP, ALREADY HAS THE STATUS OF A WORKING-LEVEL BODY.
- (B) THE PAPER INDICATES THAT ONLY USDA PERSONNEL WOULD PARTICIPATE IN THE "WORKING GROUP" AND RECOMMENDS THAT BRAZILIAN REPRESENTATION BE SIMILAR. LEAVING ASIDE THE QUESTION OF A "WORKING GROUP" VS THE CONSULTATIVE GROUP, THE EMBASSY BELIEVES OTHER US AGENCIES SHOULD BE GIVEN AN OPPORTUNITY TO PARTICIPATE IN THE CONSULTATIVE GROUP, AND WE NOTE THAT THE BUREAUCRATIC REALITY IN BRAZIL IS THAT REPRESENTATIVES

FROM THE MINISTRIES OF FOREIGN RELATIONS AND FINANCE AND FROM CACEX ARE HIGHLY LIKELY TO PARTICIPATE (UNLESS CACEX REFUSES TO GO ALONG). INEVITABLY THE CONSULTATIVE GROUP IS GOING TO DISCUSS ISSUES THAT WILL HAVE IMPLICATIONS FROM SUBJECTS INVOLVING THE COMPETANCE OF OTHER USG AGENCIES, EG, TRADE, FINANCIAL, OVERALL US COMMODITY POLICIES (INCLUDING COMMODITY AGREEMENTS) AND THEIR RELATIONSHIP TO US SOYBEAN POLICIES. FURTHERMORE, THE SOYBEAN GROUP WILL HAVE POLITICAL IMPLICATIONS FOR THE U.S.-BRAZILIAN RELATIONSHIP, AND, POSSIBLY FOR U.S. RELATIONSHIPS WITH MAJOR CONSUMERS AND WITH ITS ALLIES IN NORTH-SOUTH COMMODITY POLICY NEGOTIATIONS. IF THE ABSENCE OF USG COORDINATION OF ITS ACTIVITIES IN THE SOYBEAN GROUP WERE TO GIVE RISE TO MISUNDERSTANDINGS THAT MADE THEIR WAY INTO THE PUBLIC DOMAIN, THE BRAZILIANS COULD SUFFER EMBARRASSMENT, WITH POSSIBLE IMPLICATIONS FOR THE CREATION OR EXISTENCE OF THE SOYBEAN

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GROUP.

8. WE ARE OPTIMISTIC THAT THE INITIAL GOB ENTHUSIASM FOR THE PROPOSAL WILL CARRY THE DAY. WE SHOULD NOT BECOME ALARMED THAT THE GOB WILL NEED TO RESOLVE SIGNIFICANT BUREAUCRATIC OR SUBSTANTIVE PROBLEMS BEFORE RESPONDING FORMALLY TO OUR PROPOSAL, EVEN IF THE OUTCOME WERE TO INVOLVE SEVERAL GOB RESTRICTIONS--FOR INSTANCE, THAT THE ROLE OF THE GROUP IN TRADE POLICY BE CIRCUMSCRIBED OR ELIMINATED, AND THAT THE GROUP'S TERMS OF REFERENCE NOT MENTIONED THE PROMOTION OF BRAZILIAN SOYBEAN CONSUMPTION. THE LATTER POINT IS HIGHLY SENSITIVE HERE, AS INDICATED BY PINHEIRO'S REMARKS IN PARA 2(A) ABOVE. PUBLIC REFERENCE TO PROMOTION OF BRAZILIAN CONSUMPTION AS A PRINCIPAL US OBJECTIVE COULD CAUSE SOME PROBLEMS IN NEGOTIATING THE GROUP'S TERMS OF REFERENCE. NEVERTHELESS, OUR JUDGEMENT IS THAT MOST OF THE USG'S IDEAS FOR THE GROUP WILL EMERGE INTACT. AT THIS POINT WE SHOULD BE PATIENT AND LET THE BRAZILIAN BUREAUCRATIC PROCESS RUN ITS COURSE.

9. IN VIEW OF THE OBVIOUS GOB SENSITIVITIES TO THE US PROPOSAL AT PRESENT, EMBASSY REQUESTS THAT ALL TELEGRAPHIC TRAFFIC ON THIS SUBJECT BE LOU OR

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Message Attributes

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